

FRIEL

	0	1	2	3	4
SELLING PRICE	24	24.72	25.46	26.23	27.02
UNITS		70000	80000	100000	50000
REVENUE		<u>1730400</u>	<u>2036800</u>	<u>2623000</u>	<u>1351000</u>

VARIABLE COSTS	15.60	16.22	16.87	17.55	18.25
UNITS		70000	80000	100000	50000
TOTAL VC		<u>1135400</u>	<u>1349600</u>	<u>1755000</u>	<u>912500</u>

CAPITAL ACCOUNTS

YR	COST	CA	TAX BENEFIT
1	500000	125000	37500
2	375000	93750	28125
3	281250	70312	21094
4	210938		
BAL ACC	(200938)		60281
SCRAP	<u>10000</u>		

	0	1	2	3	4	5
Revenue		1730	2037	2623	1351	
Var Costs		(1135)	(1350)	(1755)	(913)	
Fixed Costs		(53)	(56)	(60)	(63)	
Taxable Profit		542	631	808	375	
Tax 30%			(163)	(189)	(242)	(113)
Tax Benefits			38	28	21	60
Machine	(500)					
Scrap					10	
C/F	(500)	542	506	647	164	(53)
6% DF	1	0.943	0.890	0.840	0.792	0.747
PV	(500)	511	450	543	130	(40)

$$NPV = \underline{\underline{1094}}$$

∴ Accept